

Message Text

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PAGE 01 STATE 176283
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INFO OCT-01 EUR-12 ISO-00 EB-08 TRSE-00 CIAE-00
DODE-00 INR-07 NSAE-00 PA-01 USIA-06 PRS-01 SP-02
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-----104867 280114Z /75

P 272237Z JUL 77
FM SECSTATE WASHDC
TO AMEMBASSY BUCHAREST PRIORITY

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E.O. 11652: N/A

TAGS: EEW, RO

SUBJECT: UPI PRESS RELEASE REGARDING ISLAND CREEK
COAL CONTRACT

FOR: AMBASSADOR BARNES

1. SURREY LAW FIRM BROUGHT TO OUR ATTENTION YESTERDAY
DISTURBING UPI PRESS RELEASE DATED BUCHAREST, JULY 25.

2. IN CASE YOU HAVE NOT SEEN PRESS RELEASE, TEXT IS AS
FOLLOWS: "OCCIDENTAL PETROLEUM CORPORATION'S LANDMARK COAL
DEAL HAS BEEN HELD UP BY A DISPUTE OVER U.S. TAXES,
DIPLOMATS SAID SUNDAY. OCCIDENTAL CHAIRMAN, ARMAND HAMMER,
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PAGE 02 STATE 176283

CALLED THE JUNE 11 AGREEMENT UNDER WHICH ROMANIA AND
OCCIDENTAL DECIDED TO UNDERTAKE A BROAD RANGE OF JOINT
VENTURES, "PERHAPS THE FIRST MAJOR INVESTMENT BY A
SOCIALIST COUNTRY IN THE UNITED STATES."

BUT THE FIRST PART OF THE DEAL, THE SALE OF 14 MILLION TONS
OF COAL TO ROMANIA AT \$7 PER TON BELOW MARKET PRICE, HAS

BEEN DELAYED PENDING A RULING WHETHER IT IS SUBJECT TO A
FEDERAL TAX ON BELOW-MARKET EXPORTS, THE DIPLOMATS SAID.

THE AGREEMENT ALSO CALLED FOR AN INVESTIGATION OF POSSIBLE
JOINT VENTURES IN OFFSHORE OIL DRILLING, EXPLORATION AND
PUMPING, SHALE OIL RECOVER AND COAL GASIFICATION AND
LIQUIFACTION. "

3. WE DO NOT KNOW SOURCE OF THIS STORY, BUT WE ARE
CONCERNED THAT CONTINUING INACCURATE PRESS COMMENTARY ON
THIS CONTRACT COULD PREJUDICE TAX RULINGS BEING SOUGHT
FROM IRS. AS YOU ARE AWARE, WHILE TAX RULING ISSUE IS
IMPORTANT, THE PROCESS OF SECURING THE RULING IS RELATIVELY
ROUTINE AND THERE IS NO TAX "DISPUTE" OR "DELAY" IN THE
PROJECT. REFERENCE TO FEDERAL TAX ON BELOW-MARKET EXPORTS
IS TOTALLY INACCURATE. SURREY FIRM ADVISES THERE IS NO
SUCH FEDERAL TAX ON BELOW-MARKET EXPORTS.

4. IF RULING REQUESTS CAN PROCEED ROUTINELY THROUGH IRS
PROCESS, WE ARE HOPEFUL FOR FAVORABLE RULING. INACCURATELY
DESCRIBING THIS PROJECT AS AN INVESTMENT CLOUDS ISSUE BY
CASTING ASPERSIONS ON INTEGRITY OF PROJECT DOCUMENTATION.
WE HAVE ALSO MET WITH GOR EMBASSY OFFICIALS AND EMPHASIZED
NECESSITY OF ACCURACY IN PUBLIC COMMENTS REGARDING
PUBLICITY ON PROJECT.

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PAGE 03 STATE 176283

5. THUS FAR, WE ARE NOT AWARE THAT UPI STORY HAS BEEN
PICKED UP BY MAJOR U.S. NEWSPAPERS. OCCIDENTAL HAS ISSUED
A PRESS RELEASE OF ITS OWN LABELING THE UPI STORY AS
INACCURATE AND EXPLAINING THE PROJECT AND THE NEED FOR
NORMAL IRS TAX RULINGS BEFORE FINAL ACCEPTANCE OF THE
CONTRACT. ALTHOUGH NOT SPECIFICALLY REFERRING TO THIS
PRESS RELEASE, BEWT HAS HAD AT LEAST ONE CALL ALREADY FROM
A U.S. FIRM ASKING FOR INFORMATION ON THE PROJECT AND
CITING A RUMOR THAT DEAL WAS FALLING THROUGH.

6. YOUR COMMENTS WOULD BE APPRECIATED. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COAL, PRESS RELEASES, CONTRACTS, ISLAND CREEK
Control Number: n/a
Copy: SINGLE
Sent Date: 27-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
Document Unique ID: 00
Drafter: EEAD/OEWCA/BEWT/JBURGESS/SS
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770269-0845
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770712/aaaaakff.tel
Line Count: 105
Litigation Code IDs:
Litigation Codes:
Litigation History:
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Message ID: 72fff662-c288-dd11-92da-001cc4696bcc
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Original Classification: LIMITED OFFICIAL USE
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Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
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Review Date: 09-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1730296
Secure: OPEN
Status: NATIVE
Subject: UPI PRESS RELEASE REGARDING ISLAND CREEK COAL CONTRACT FOR: AMBASSADOR BARNES
TAGS: EEWT, RO
To: BUCHAREST
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/72fff662-c288-dd11-92da-001cc4696bcc
Review Markings:
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